



HPC HOLDINGS LIMITED

HKEX 1742 (Incorporated in the Cayman Islands with limited liability)

2021

INTERIM REPORT



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CORPORATE INFORMATION

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarter and principal place of business in Singapore

Block 165, Bukit Merah Central
#08-3687 Singapore 150165

Principal place of business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

List of Directors and Their Roles & Functions

Executive Directors

Mr. Wang Yingde
(Chairman & Chief Executive Officer)
Mr. Shi Jianhua *(Chief Operations Officer)*

Independent Non-executive Directors

Mr. Zhu Dong
Mr. Leung Wai Yip
Mr. Gng Hoon Liang

Audit Committee

Mr. Leung Wai Yip *(Chairman)*
Mr. Zhu Dong
Mr. Gng Hoon Liang

Remuneration Committee

Mr. Zhu Dong *(Chairman)*
Mr. Wang Yingde
Mr. Gng Hoon Liang

Nomination Committee

Mr. Wang Yingde *(Chairman)*
Mr. Zhu Dong
Mr. Gng Hoon Liang

CORPORATE INFORMATION

Company Secretary

Ms. Leung Wing Han Sharon
(FCS, FCG, FCCA and CPA)
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Hong Kong Branch Share Register

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Authorised Representatives

Mr. Wang Yingde
Mr. Shi Jianhua

Company's Website

www.hpc.sg

Auditor

Ernst & Young LLP

Stock Code

1742

Principal Banks

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay, Financial Center Tower 3
Singapore 018982

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of HPC Holdings Limited (the “**Company**”) announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 April 2021 (the “**Interim Period**”) together with the comparative figures for the corresponding period in 2020 (the “**Previous Period**”).

BUSINESS REVIEW

The first half financial year 2021 has proven to be as challenging as in the whole of year 2020. Although the prospects of construction demand are expected to improve marginally compared to last year, the general shortage of construction workers in the market has become a big drag in the construction industry. The second and third waves of COVID-19 which hit hard on the countries that form the traditional sources of construction workers in Singapore have resulted in the tightening of controls by the Singapore Government which cancelled the workers’ applications in their effort to minimize the risk of another wave of infection in our dormitories, and protect our guest workers and the wider community. This has prompted the government to introduce some new support measures, including allowing unskilled workers from China to work in Singapore under work permits and obtain their skills certification later for six months in order to alleviate the acute workers shortage problems which is unprecedented. With this severe labor shortage and lower productivity due to the mandatory Safe Management Measures (SMM) in all work sites, the Group’s performance has also been affected. However, despite such headwinds, the Group had managed to secure 2 new projects, namely the Ten League Warehouse and the Global Indian International School for a total contract sum of S\$120.40 million, lifting our Order Book to a healthy sustainable level of S\$408.35 million as of 30 April 2021. The Group has also successfully delivered the North London Collegiate School, the PSA Gateway, the fast-track A&A project to convert a whole floor of normal warehouse into cold-room warehouse for YCH Group and the Grab HQ projects on time to our client’s satisfaction despite the difficult working environment in Singapore due to COVID-19 pandemic (the “**Pandemic**”). With the completion of these projects, the Group has further reaffirmed its important status of a leading full-fledged contractor in Singapore.

MANAGEMENT DISCUSSION AND ANALYSIS

Given the level of uncertainty in the current market, the Group has adopted a more prudent approach in tendering for new projects in view of the potential disruption in the supply chain of construction materials, driving the material prices higher. The Group is also embarking on the digitalization and integration of our work processes in response to the government drive to uplift the Integrated Digital Delivery (IDD) capability of the entire built environment sector by tapping on the various specific grants offered by the government to drive our next growth.

FINANCIAL REVIEW

Singapore has been ranked among the top of Bloomberg's Covid Resilience Ranking since November 2020, with well controlled measures, the construction industry in Singapore has been gradually resuming to the pre-COVID level. The Group has completed a few projects on time and together with other on-going projects, the performance of the Group for the Interim Period has made a positive return compared to the Previous Period.

Revenue and Gross Profit

The Group registered an increase of 27.81% in revenue for the six months ended 30 April 2021 as compared with the six months ended 30 April 2020 from approximately S\$91.46 million to approximately S\$116.90 million. Revenue increase as a result of more construction activities performed during the Interim Period comparing with the Previous Period which included one month lock down due to the Pandemic and the Circuit Breaker Measures imposed by the Singapore Government.

The gross profit of the Group increased from approximately S\$7.36 million for the six months ended 30 April 2020 to S\$9.50 million for the six months ended 30 April 2021, representing an approximately 29.13% increment. Gross profit margin almost remained stable at 8.13% of the Interim Period compared with 8.05% of the Previous Period.

Other Income

Other income of the Group for the six months ended 30 April 2021 was higher by approximately S\$41,000 primarily due to more government subsidies granted from Singapore Government to assist business defraying the cost caused by the Pandemic as compared to the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Group incurred less administrative expenses for the six months ended 30 April 2021 compared with the six months ended 30 April 2020. Administrative expenses decreased by approximately S\$1.15 million from approximately S\$4.86 million to S\$3.71 million. The large decrement of the administrative expenses primarily due to the resuming of business activities and no significant idle cost incurred during the Interim Period as compared to the Previous Period. Besides, the administrative expenses incurred during the Interim Period was consistent with the six months ended 30 April 2019, the last interim period with no impact of the Pandemic.

Income Tax Expense

Although the Group has made more profit before tax in the Interim Period, the Group recorded less income tax by approximately S\$11,000 due to the deferred tax benefit of additional provision made to impaired assets. The effective tax rate was approximately 2.05% which was significantly lower than the statutory rate at 17%, this was mainly due to the deferred tax benefit of the provision for onerous contract and impaired assets.

Profit After Tax

As a result of the combined effects mentioned above, the Company recorded a net profit after tax at approximately S\$4.68 million for the Interim Period, representing an increment of S\$0.53 million, or approximately 12.78% as compared with the Previous Period.

Dividends

The Company did not declare any dividend during the Interim Period and the Company does not recommend an interim dividend for the six months ended 30 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group's business operations depend on the sufficiency of working capital and effective cost management, in particular, competitive prices from subcontractors and suppliers as well as effective management of foreign workforce. The Group's primary uses of cash are payments to subcontractors, suppliers and manpower cost. The Group had been depending on its internal generated funds to fund its working capital needs in the past, however, with consistently lower interest rate in the current economy, the Group has started to gradually introduce low risk loan financing to the capital structure in order to achieve the optimum cost of capital. With proven track record in costs management coupled with the local regulation on construction works settlements, the Group is not expected to face any liquidity issues.

The current ratios (defined as total current assets divided by total current liabilities) of the Group were 2.5 and 2.2 as at 30 April 2021 and 31 October 2020, respectively.

Borrowings and Gearing

The Group's borrowings relate to certain finance lease obligations obtained through the acquisition of motor vehicles and there were term loans and shareholders loans for land purchase and redevelopment of an industrial building on the land purchased on 7 Kung Chong Road of Singapore. The Group also obtained the Temporary Bridge Loan (the "TBL") of S\$5 million initiated by Singapore Government to help local companies' working capital needs. The term of the TBL is five years.

The gearing ratios (defined as total borrowings divided by total equity) of the Group were 18.24% and 20.24% as at 30 April 2021 and 31 October 2020 respectively and the decrease in gearing ratio was mainly due to the on-time repayment of the above borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

Most of the Group's income and expenditures are denominated in Singapore dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures except a few listing compliance transactions in Hong Kong Dollars.

As the Group's normal operations' foreign exchange exposure is minimal, the Group does not use any hedging facilities. All foreign transactions are entered into at spot rate.

Mortgage or Charges on Group's Assets

As at 30 April 2021, the acquired land was mortgaged to secure the Group's bank loan. Besides, one of the subsidiaries of the Company, HPC Builders Pte Ltd. was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

The Group was involved in a few litigation cases related to workplace injuries which was normally insured with insurance; therefore, the Group does not expect any contingent liabilities in the foreseeable future.

As at 30 April 2021, saved as disclosed in the section "Mortgage or Charges on Group's Assets", there was no financial guarantee granted in favor of third party of the Group.

Capital Expenditure and Capital Commitments

For the Interim Period, the Group's incurred capital expenditures were mainly on the construction and financing cost of the 7 Kung Chong Project and some construction site equipment.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE INTERIM PERIOD

On 4 May 2021, an indirect wholly-owned subsidiary of the Company, HPC Builders Pte. Ltd. (the “**Vendor**”) entered into a disposal agreement with an independent third party purchaser (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the sale shares, which represents 100% of the equity interest in another wholly-owned subsidiary of the Company, Aasperon Venture Pte Ltd (the “**Target Company**”), at a cash consideration of S\$4.2 million plus reimbursement of any outgoing prepayments to authorities where applicable (the “**Disposal Transaction**”).

On 31 May 2021, the Disposal Transaction was completed as per terms and conditions agreed on the 4 May 2021. Shareholders and investors are advised to refer the Company’s announcements made on 4 May 2021 and 24 May 2021 to obtain the detailed information regarding this Disposal Transaction.

EMPLOYEE INFORMATION

As at 30 April 2021, the Group had 896 employees including foreign workers.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are typically employed on one-year basis depending on the period of their work permits and subject to renewal based on their performance and are remunerated according to their work skills.

Total staff costs including Directors’ emoluments amounted to approximately S\$13.8 million (2020: S\$14.1 million) for the six months ended 30 April 2021.

Employees of the Group receive training depending on their department and the scope of works. Typically, the human resource department arranges for employees to attend trainings from time to time, especially relating to workplace health and safety.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Pandemic, our employees especially foreign workers were well taken care of. The Group swiftly responded to government arrangement to arrange accommodation, food and living groceries and distribution of personal protection and hygiene products to all the foreign workers in need. Human resource department has followed up closely with foreign employees who are vulnerable and taken immediate action according to Singapore authorities' regulations. None of our employee's health was seriously affected by COVID-19.

As at the date of this report, nearly 42% of the total employee of the Group has been vaccinated against COVID-19, and the Group is actively collaborating with government agency to arrange all the employee to be vaccinated as soon as possible. The Group expects to reach the 100% vaccination coverage by the end of August 2021.

PROSPECTS

The Singapore economy grew faster than expected in the first quarter in 2021, came in at 1.3% on a yearly basis. However, the recent resurgence in COVID-19 infections has dampened its recovery prospects. The Building and Construction Authority projects the construction demand for 2021 to be between S\$23 billion and S\$28 billion, mainly driven by the public sector at 65%, up from 62% in 2020. Though the construction demand for 2021 is far from the pre-COVID levels, the Singapore Government expects a sustainable recovery in construction demand over the next five years. Some of the notable projects in the pipeline include the new phases of major MRT and expressway infrastructure projects, new healthcare facilities, Phase 2 of the Deep Tunnel Sewerage System and the mega port at Tuas.

On the private sector, the demand for coldroom facilities and the increased demand of logistic activities in response to the expected prolong fight against the COVID-19 Pandemic, has prompted more developers into building more new warehouses or retrofitting the existing warehouses with coldroom facilities. The Group is also working together with developers to explore the next new generation of container stacking yard by optimizing the land use and introducing automation to improve the efficiency of such facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Leasing activity in Singapore has been supported by stockpiling demand from the Singapore Government following the introduction of the Phase 2 (Tightened Alert) on 16 May 2021; inventory storage requirements due to weaker exports and last-mile logistics expansion. Prime logistics properties in Singapore are nearly full occupancy and demand has begun to spill over to lower-specification logistics space. This has prompted coldroom logistic warehouse to higher rental growth compared with year 2020.

In response to the recurrence of COVID-19 infection in Singapore by introducing the Phase 2 (Tightened Alert) on 16 May 2021, the Singapore Government has also announced new support measures for the construction sector as part of the continued effort to support the industry and to mitigate the impact of further tightening of border measures. The Group has been tapping on such support measures to mitigate our additional costs incurred due to the loss of productivity. An additional 49-day extension of time for delays in addition to the 122 days was also granted automatically earlier under the COVID-19 (Temporary Measures) Act 2020 (COTMA).

As the Group is operating in a small and open economy in Singapore, its business performance continuity depends heavily on how the Singapore Government responds to the threats of COVID-19 Pandemic and how successful these responses are. It is very fortunate to note that the response from the Singapore Government against the COVID-19 has been remarkable as compared with the rest of our regional economies. The Group is cautiously optimistic and confident that the Group can perform better in the coming months if the easing of the COVID-19 is within sight. However, the Group will still have to cope with the lower gross profits due to the cost overrun of the on-going projects and the intense competition from other contractors for new projects. With a healthy Order Book of S\$408.35 million as of 30 April 2021, which will allow the Group to have more time to select better projects in coming months instead of tendering aggressively in order to survive through this current crisis. The management shall work positively to ensure the Group is able to sail through this difficult time safely and to excel again once the construction market returns to normalcy in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the scheme and any other schemes of the Group shall not in aggregate exceed 160,000,000, being 10% of the Company's shares listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 11 May 2018.

No share options were granted or outstanding for the six months ended 30 April 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as code of conduct regarding directors' securities transactions during the Interim Period and upon specific enquiry made, all Directors have confirmed that they complied with the Model Code throughout the six months ended 30 April 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to the shareholders of the Company (the “**Shareholders**”) and protecting and enhancing the Shareholders’ value through good corporate governance. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules during the Interim Period with the exception of code provision A.2.1.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Wang Yingde currently holds both positions. Throughout the business history, Mr. Wang Yingde has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors) consider that Mr. Wang Yingde is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the SEHK and the Company. Currently, it comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Zhu Dong and Mr. Gng Hoon Liang.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group’s half year financial results for the Interim Period, particularly addressed the impact of the Pandemic to the Company’s operation. The Audit Committee is of the view that the unaudited interim consolidated financial statements for the six months ended 30 April 2021 have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

The unaudited interim condensed consolidated financial statements for the Interim Period are reviewed by the Audit Committee.

The Company’s auditor, Ernst and Young LLP, has reviewed the unaudited interim financial information of the Group for the six months ended 30 April 2021 in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018 (the “**Listing**”). Net proceeds arising from the Listing amounted to approximately HK\$124.4 million. The percentage of net proceeds were allocated in accordance to the proposed proportion in the prospectus of the Company dated 27 April 2018. As at 30 April 2021, the use of the net proceeds was as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds <i>(in HK\$ million)</i>	Amount utilised <i>(in HK\$ million)</i>	Amount remaining <i>(in HK\$ million)</i>
Initial capital deployment for main contractor business	65%	80.9	80.9	-
Purchase of facilities and equipment	20%	24.9	24.9	-
Talent recruitment and training, and expansion of our labour force	5%	6.2	6.2	-
Working capital	10%	12.4	12.4	-
Total	100%	124.4	124.4	-

The Company also would like to clarify that there was a typo error in the page 34 of the Company’s published 2020 annual report. The “Total amount utilised” was mistakenly printed as 102.7 instead of the correct figure of 124.4.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 April 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the SEHK under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the SEHK pursuant to Model Code, are as follows:

Interests in the Company

Name of Director	Capacity/ nature of interest	Number of Shares held	Long position/ short position	Approximate percentage of shareholding in issue (Note 3)
Mr. Wang Yingde	Interest in controlled/ corporation (Note 1)	660,000,000	Long position	41.25%
Mr. Shi Jianhua	Interest in controlled/ corporation (Note 2)	540,000,000	Long position	33.75%

Notes:

- (1) The 660,000,000 shares are held by Tower Point Global Limited (the "**Tower Point**"), which is wholly and beneficially owned by Mr. Wang Yingde, the executive Director of the Company. By virtue of the SFO, Mr. Wang Yingde is deemed to be interested in all the shares held by Tower Point.
- (2) The 540,000,000 shares are held by Creative Value Investments Limited (the "**Creative Value**"), which is wholly and beneficially owned by Mr. Shi Jianhua, the executive Director of the Company. By virtue of the SFO, Mr. Shi Jianhua is deemed to be interested in all shares held by Creative Value.
- (3) The calculation is based on a total number of 1,600,000,000 shares of the Company in issue as at 30 April 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 April 2021, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the SEHK.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 April 2021, so far as is known to the Directors of the Company, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Interests in the Company

Name of Shareholder	Capacity/ nature of interest	Number of shares held	Long position/ short position	Approximately percentage of shares in issue <i>(Note (iii))</i>
Tower Point	Beneficial owner <i>(Note (i))</i>	660,000,000	Long position	41.25%
Creative Value	Beneficial owner <i>(Note (ii))</i>	540,000,000	Long position	33.75%

Notes:

- (i) The 660,000,000 shares are held by Tower Point, which is wholly and beneficially owned by Mr. Wang Yingde, the executive Director of the Company.
- (ii) The 540,000,000 shares are held by Creative Value, which is wholly and beneficially owned by Mr. Shi Jianhua, the executive Director of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (iii) The calculation is based on a total number of 1,600,000,000 shares of the Company in issue as at 30 April 2021.

Save as disclosed above, as at 30 April 2021, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Interim Period, neither the Company nor any of its subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN BOARD MEMBER AND STRUCTURE

Each of the executive Directors had entered into a service agreement with the Company for a term of 3 years commencing on the date on which the shares of the Company were listed and initially commenced their dealings on SEHK (i.e. 11 May 2018) ("**Listing Date**"). Each of the independent non-executive Directors (except Mr. Gng Hoon Liang) had entered into a letter of appointment with the Company for a period of 3 years commencing on the Listing date. The first term of the 3 years directorship of the above Directors was completed on 10 May 2021. The Company offered a renewal of a second term of 3 years' service to those directors based on the same terms and conditions. Ms. Ng King Wai Diana had decided not to renew her service agreement with the Company after the first three years tenure as independent non-executive director of the Company effectively from 10 May 2021. Mr. Gng Hoon Liang was elected by the shareholders as independent non-executive Director on annual general meeting of the Company held on 28 April 2021. The Board now comprises two executive Directors and three independent non-executive Directors. The latest updated list of the directors' roles and functions was published in the SEHK's website and the Company's website on 10 May 2021.

Save as disclosed above, no information relating to the Directors or chief executive of the Company is required to be disclosed in accordance with Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the Company's 2020 annual report.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2021

To the Members of HPC Holdings Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of HPC Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) which comprise the interim condensed consolidated statement of financial position as at 30 April 2021 and the interim condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”). The directors of the Company are responsible for the preparation and presentation of these interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2021

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Public Accountants and Chartered Accountants

Singapore

29 June 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 April 2021

Six months ended 30 April			
	<i>Note</i>	2021 \$'000 (Unaudited)	2020 \$'000 (Unaudited)
Revenue	4	116,901	91,462
Cost of sales		(107,397)	(84,102)
Gross profit		9,504	7,360
Other operating income	4	1,656	1,615
Administrative expenses		(3,705)	(4,863)
Other (losses)/gain		(3,045)	66
Finance income		428	107
Finance costs		(65)	(26)
Profit before tax	5	4,773	4,259
Income tax expense	6	(98)	(109)
Profit for the period, representing total comprehensive income for the period		4,675	4,150
Total comprehensive income attributable to:			
Owners of the Company		4,742	4,173
Non-controlling interests		(67)	(23)
		4,675	4,150
Earnings per share for profit attributable to owners of the Company			
– Basic (expressed in Singapore cents per share)	7	0.3	0.3
– Diluted (expressed in Singapore cents per share)	7	0.3	0.3

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 April 2021

		Group	
		30 April 2021	31 October 2020
		\$'000 (Unaudited)	\$'000 (Audited)
Note			
ASSETS			
Non-current assets			
	Property, plant and equipment	24,102	22,099
9			
	Investment properties	5,146	5,229
10			
	Trade receivables	–	2,931
11			
	Deferred tax assets	843	600
10			
		30,091	30,859
Current assets			
	Trade receivables	52,460	43,736
11			
	Other receivables, deposits and prepayments	3,315	2,998
12			
	Contract assets	32,537	31,480
13			
	Cash and cash equivalents	47,470	63,002
14			
		135,782	141,216
Total assets		165,873	172,075
EQUITY AND LIABILITIES			
Current liabilities			
	Trade and retention payables	34,775	33,824
15			
	Other payables and accruals	5,635	6,575
15			
	Provisions	336	2,112
17			
	Contract liabilities	10,675	19,791
13			
	Lease liabilities	176	175
16			
	Borrowings	1,676	1,676
18			
	Current income tax payable	474	765
		53,747	64,918
Net current assets		82,035	76,298

INTERIM CONDENSED CONSOLIDATED
BALANCE SHEET (CONTINUED)

As at 30 April 2021

		Group	
		30 April 2021	31 October 2020
		\$'000	\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Retention payables	15	2,268	1,035
Other payables	15	2,058	2,058
Lease liabilities	16	1,057	1,161
Borrowings	18	12,269	13,104
		17,652	17,358
Total liabilities		71,399	82,276
Equity attributable to owners of the Company			
Share capital	19	2,725	2,725
Share premium	19	69,777	69,777
Capital reserves	20	(26,972)	(26,972)
Retained profits		48,612	43,870
		94,142	89,400
Non-controlling interests		332	399
Total equity		94,474	89,799
Total equity and liabilities		165,873	172,075

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2021

Attributable to owners of the Company							
	Share capital	Share premium	Capital reserves	Retained profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group							
At 1 November 2019							
(Unaudited)	2,725	69,777	(26,972)	48,439	93,969	452	94,421
Loss for the period, representing total comprehensive income for the period	-	-	-	4,173	4,173	(23)	4,150
At 30 April 2020							
(Unaudited)	2,725	69,777	(26,972)	52,612	98,142	429	98,571
At 1 November 2020							
(Unaudited)	2,725	69,777	(26,972)	43,870	89,400	399	89,799
Profit for the period, representing total comprehensive income for the period	-	-	-	4,742	4,742	(67)	4,675
At 30 April 2021							
(Unaudited)	2,725	69,777	(26,972)	48,612	94,142	332	94,474

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 April 2021

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	4,773	4,259
Adjustments for:		
Depreciation of property, plant and equipment	814	365
Depreciation of investment properties	83	84
Loss on disposal of property, plant and equipment	27	9
Interest expense	65	26
Interest income	(428)	(107)
Provision for onerous contracts	(1,776)	2,059
Operating cash flows before changes in working capital		
	3,558	6,695
Changes in working capital:		
– (Increase)/decrease in contract assets	(10,173)	32,430
– Increase in trade receivables	(5,793)	(5,377)
– Increase in other receivables, deposits and prepayments	(317)	(8,465)
– Increase/(decrease) in trade and retention payables	2,184	(6,284)
– (Decrease)/increase in other payables and accruals	(940)	237
Cash (used in)/generated from operations	(11,481)	19,236
Interest paid	(65)	(26)
Interest received	428	75
Income tax paid	(632)	(998)
Net cash (used in)/generated from operating activities	(11,750)	18,287

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS (CONTINUED)

For the Six Months Ended 30 April 2021

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	135	–
Purchase of property, plant and equipment	(2,979)	(767)
Net cash used in investing activities	(2,844)	(767)
Cash flows from financing activities		
Repayment of bank borrowings	(835)	(360)
Repayment of lease liabilities	(103)	(50)
Net cash used in financing activities	(938)	(410)
Net (decrease)/increase in cash and cash equivalents	(15,532)	17,110
Cash and cash equivalents at beginning of the period	63,002	31,186
Cash and cash equivalents at end of the period	47,470	48,296

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2021

1. Corporate information

HPC Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 October 2016 as an exempted company with limited liability under the Companies Law of the Cayman Island and is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Block 165, Bukit Merah Central, #08-3687, Singapore 150165.

The principal activity of the Company is that of investment holding. During the financial period, the Company’s subsidiaries were principally engaged in the following principal activities:

- (i) General contractors;
- (ii) Engineering design and consultancy services; and
- (iii) Investment holding.

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 April 2021 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“**IAS 34**”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 October 2020.

The interim condensed consolidated financial statements are presented in Singapore dollars (\$) and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

2. Summary of significant accounting policies (continued)

2.2 New standards, interpretations and amendment adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2020, except for the adoption of new standards effective as of 1 November 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised International Financial Reporting Standard ("IFRSs") as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 November 2020. These applications do not have a material impact on the interim condensed consolidated financial statements of the Group.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to IFRS 16 <i>Covid-19-Related Rent Concession</i>	1 April 2021
Amendments to IAS 16 <i>Property, Plant and Equipment</i>	1 January 2022
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IFRS 3 : <i>Reference to the Conceptual Framework</i>	1 January 2022
Annual Improvements to IFRSs 2018 – 2020	1 January 2022
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between and Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

3. Segment information

The executive directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions, allocate resources and assess performance. The executive directors consider the business from business segment perspective.

The Group is organised into two reportable segments, namely:

- (a) General building construction: Relates to the design and build projects of warehouses and other industrial or commercial buildings; and
- (b) Civil engineering: Relates to the construction of public infrastructures such as train stations, tunnel, railway and express way.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's executive directors. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

3. Segment information (continued)

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There are no transfers between operating segments included in segment revenue, expenses and results.

Capital expenditure comprises additions to property, plant and equipment. Group financing (including finance costs), income taxes and investment properties are managed on a group basis and are not allocated to operating segments.

The segment information provided to the Group's executive directors for the reportable segments for the six months ended 30 April 2021 and 30 April 2020 are as follows:

	General building construction \$'000	Civil engineering \$'000	Total \$'000
Six months ended			
30 April 2021 (Unaudited)			
Total segment revenue to external customers	112,301	4,600	116,901
Gross profit	7,649	1,855	9,504
Segment assets	81,296	3,701	84,997
Segment liabilities	46,318	1,736	48,054

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

3. Segment information (continued)

Allocation basis and transfer pricing (continued)

	General building construction \$'000	Civil engineering \$'000	Total \$'000
Six months ended			
30 April 2020 (Unaudited)			
Total segment revenue to external customers	85,966	5,496	91,462
Gross profit	6,103	1,257	7,360
Segment assets	87,009	6,629	93,638
Segment liabilities	53,091	1,983	55,074

Reconciliations

(i) Segment profits

A reconciliation of gross profit to profit income tax is as follows:

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Gross profit for reportable segments	9,504	7,360
Other income	1,656	1,615
Other (losses)/gains	(3,045)	66
Administrative expenses	(3,705)	(4,863)
Finance income	428	107
Finance costs	(65)	(26)
Profit before tax	4,773	4,259

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

3. Segment information (continued)

Reconciliations (continued)

(ii) Segment assets

The amounts reported to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements as at 31 October 2020. Segment assets exclude unallocated head office assets as these assets are managed on a group basis.

Segment assets are reconciled to total assets as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Segment assets for reportable segments	84,997	78,147
Unallocated:		
Property, plant and equipment	24,102	22,099
Investment properties	5,146	5,229
Deferred income tax assets	843	600
Other receivables, deposits and prepayments	3,315	2,998
Cash and cash equivalents	47,470	63,002
	165,873	172,075

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

3. Segment information (continued)

Reconciliations (continued)

(iii) Segment liabilities

The amounts reported to the executive directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements as at 31 October 2020. Segment liabilities exclude unallocated head office liabilities as these liabilities are managed on a group basis.

Segment liabilities are reconciled to total liabilities as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Segment liabilities for reportable segments	48,054	56,762
Unallocated:		
Lease liabilities	1,233	1,336
Other payables and accruals	7,693	8,633
Borrowings	13,945	14,780
Current income tax payable	474	765
	71,399	82,276

All of the Group's activities are carried out in Singapore and all of the Group's assets are located in Singapore. Accordingly, no analysis by geographical basis is presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

4. Revenue and other operating income

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Construction contract revenue	116,901	91,462

Revenue from contracts with customers are derived from Singapore and are recognised over time.

Disaggregation of revenue

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
By project sector		
Public sector	19,394	7,905
Private sector	97,507	83,557
	116,901	91,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

4. Revenue and other operating income (continued)

Disaggregation of revenue (continued)

	Six months ended 30 April	
	2021 \$'000 (Unaudited)	2020 \$'000 (Unaudited)
Government grants*	1,408	1,125
Sales of scrap materials	154	333
Rental income from investment properties	94	86
Others	–	71
Other operating income	1,656	1,615

* Government grants were received by certain subsidiaries in connection with employment of Singaporean workers under Job Support Scheme, Foreign Worker Levy Rebate, BCA COVID-Safe firm-based Support. There were no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

5. Profit before tax

The following items have been included in arriving at profit before tax:

	Six months ended 30 April	
	2021 \$'000 (Unaudited)	2020 \$'000 (Unaudited)
Auditors' remuneration:		
– auditor of the Company	54	70
Materials, sub-contractors and other construction costs	95,677	72,528
Depreciation of property, plant and equipment	814	365
Depreciation of investment properties	83	84
Employee compensation	13,789	14,089
Operating lease rentals*	79	106
Entertainment and transportation	59	183
Professional fees	303	155

* Operating lease rentals relate to rental expenses arising from short-term lease entered into by the Group for its office premise.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

6. Income tax expense

Major components of income tax expense

The major components of income tax expense for the six months ended 30 April 2021 and 30 April 2020 are:

	Six months ended 30 April	
	2021 \$'000 (Unaudited)	2020 \$'000 (Unaudited)
Current income tax	331	409
Deferred income tax	(243)	(217)
Under/(over) provision in respect of previous years	10	(83)
Income tax expense recognised in profit or loss	98	109

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2020. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the six-months ended 30 April 2021 and 30 April 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

7. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary share.

	Six months ended 30 April	
	2021	2020
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	4,742	4,173

	No. of shares	
	30 April 2021	30 April 2020
Weighted average number of ordinary shares on issue applicable to Basic and diluted earnings per share (in thousands)	1,600,000	1,600,000
Basic and diluted earnings per share (\$ cents)	0.3	0.3

8. Dividends

No dividends were declared during the six months ended 30 April 2021 and 30 April 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

9. Property, plant and equipment

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Leasehold land and building under construction \$'000	Leasehold land and building \$'000	Total \$'000
(Unaudited)								
Cost:								
At 1 November 2020	1,013	179	3,158	2,180	60	15,360	4,585	26,535
Additions	131	571	-	290	-	1,987	-	2,979
Disposals	-	-	(450)	-	-	-	-	(450)
At 30 April 2021	1,144	750	2,708	2,470	60	17,347	4,585	29,064
Accumulated depreciation:								
At 1 November 2020	817	168	1,474	1,822	56	-	99	4,436
Depreciation for the period	69	51	141	121	1	202	229	814
Disposals	-	-	(288)	-	-	-	-	(288)
At 30 April 2021	886	219	1,327	1,943	57	202	328	4,962
Net carrying amount:								
At 30 April 2021	258	531	1,381	527	3	17,145	4,257	24,102

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

9. Property, plant and equipment (continued)

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Leasehold land and building under construction \$'000	Leasehold land and building \$'000	Total \$'000
(Audited)								
Cost:								
At 1 November 2019	873	176	3,505	1,881	60	14,312	-	20,807
Additions	140	3	566	299	-	1,048	4,585	6,641
Disposals	-	-	(913)	-	-	-	-	(913)
At 31 October 2020	1,013	179	3,158	2,180	60	15,360	4,585	26,535
Accumulated depreciation:								
At 1 November 2019	688	149	1,423	1,597	45	-	-	3,902
Depreciation for the year	129	19	340	225	11	-	99	823
Disposals	-	-	(289)	-	-	-	-	(289)
At 31 October 2020	817	168	1,474	1,822	56	-	99	4,436
Net carrying amount:								
At 31 October 2020	196	11	1,684	358	4	15,360	4,486	22,099

Right of use asset

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such assets are disclosed in Note 16.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

9. Property, plant and equipment (continued)

Capitalisation of borrowing costs

The Group's leasehold land and building include borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of the leasehold building. During the six months ended 30 April 2021, the borrowing costs capitalised as cost of leasehold land and building amounted to \$84,000 (31 October 2020: \$169,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.75% (31 October 2020: 1.75% to 2.95%) per annum, which is the effective interest rate of the specific borrowing (Note 15).

Assets pledged as security

The Group's leasehold land and building with a carrying amount of \$17,145,000 (31 October 2020: \$15,360,000) are mortgaged to secure the Group's bank loan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

10. Investment properties

	Freehold strata property unit \$'000	Leasehold strata property unit \$'000	Total \$'000
(Unaudited)			
Cost:			
At 1 November 2020	3,067	2,751	5,818
Accumulated depreciation:			
At 1 November 2020	184	405	589
Depreciation for the period	30	53	83
At 30 April 2021	214	458	672
Net carrying amount:			
At 30 April 2021	2,853	2,293	5,146
(Audited)			
Cost:			
At 1 November 2019 and 31 October 2020	3,067	2,751	5,818
Accumulated depreciation:			
At 1 November 2019	122	299	421
Depreciation for the year	62	106	168
At 31 October 2020	184	405	589
Net carrying amount:			
At 31 October 2020	2,883	2,346	5,229
At valuation			
At 31 October 2020	3,500	2,500	6,000
At 30 April 2021	3,500	2,500	6,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

10. Investment properties (continued)

At the balance sheet date, the details of the Group's investment properties are as follows:

Location	Description/ existing use	Tenure
#01-08, Loyang Enterprise Building Singapore	Industrial unit	26 years
211 Henderson Road, #02-01	Industrial unit	Freehold
	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Rental income from investment properties	94	157

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

10. Investment properties (continued)

Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every year based on the property's highest and best use. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between the property manager, management and the independent valuer yearly.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the direct comparative approach, which takes into consideration significant inputs such as recent sales of comparable properties in the vicinity, floor area, floor level, tenure and prevailing market conditions. In arriving at the estimates of market value, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparable. The most significant input in this valuation approach is the selling price per square meter.

An increase in selling price per square meter will result in a decrease to the fair value of the investment property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

11. Trade receivables

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Non-current		
Loan receivable**	–	2,931
Current		
– Trade receivables*	53,034	41,285
– Loan receivable**	3,576	3,601
Allowance for impairment	56,610 (4,150)	44,886 (1,150)
	52,460	43,736

* Included in trade receivables is retention receivables of \$4,704,000 and \$2,664,000 as at 30 April 2021 and 31 October 2020 respectively. Retention receivables will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

** A subsidiary of the Group entered into an agreement with a customer on 20 March 2020 to restructure trade receivables of \$6,300,000 into a loan that bears interest at 6% per annum. This loan is repayable over four instalments commencing on 31 December 2020 and ending on 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

11. Trade receivables (continued)

Trade receivables

Trade receivables are non-interest bearing and are generally on 35 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
– Less than 3 months	26,276	24,825
– 3 to 6 months	4,041	149
– Over 6 months to 1 year	7,516	6,160
– More than 1 year	18,777	16,683
	56,610	47,817

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Except for an allowance of \$4,150,000 (31 October 2020: \$1,150,000), management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group did not hold any collateral over these balances.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

11. Trade receivables (continued)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$20,198,000 (31 October 2020: \$22,643,000) as at 30 April 2021 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Trade receivables past due but not impaired:		
– Past due less than 3 months	2,952	2,361
– Past due 3 to 6 months	2,557	1,344
– Past due more than 6 months to 1 year	1,288	6,121
– Past due more than 1 year	13,401	12,817
	20,198	22,643

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

11. Trade receivables (continued)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Trade receivables \$'000	Contract assets \$'000	Total \$'000
30 April 2021			
(Unaudited)			
Movement in allowance accounts:			
At 1 November 2020	1,150	–	1,150
Charge for the period	3,000	–	3,000
At 30 April 2021	4,150	–	4,150
31 October 2020			
(Audited)			
Movement in allowance accounts:			
At 1 November 2019	600	–	600
Charge for the year	550	–	550
At 31 October 2020	1,150	–	1,150

The Group recognised allowance for expected credit losses of \$3,000,000 for the six months ended 30 April 2021 on trade receivables pertaining to a customer for which there is significant change in the credit quality and balances from this customer is assessed to be not fully recoverable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

12. Other receivables, deposits and prepayment

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Deposits	1,608	910
Prepayments	696	582
Other receivables		
– Related parties	78	54
– Non-related parties	423	211
– Government grants receivable	510	1,241
	3,315	2,998

Deposits include deposits paid in respect of office leases and tenders as well as those in connection with professional services and construction projects. Prepayments mostly relate to workers accommodation.

Other receivables mainly due to a short-term loan receivable, and relate to employee loans, our employee loans which are interest free are approved by directors. The loans are only granted to employees (excluding directors and senior management) who have worked for more than 5 years, have good performance record and are willing to maintain a long working relationship with the Group.

Government grants receivable consists mainly of government assistance under the Jobs Support Scheme program funded by the Singapore Government.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

13. Contract assets/liabilities

Information about contract assets and contract liabilities from contracts with customers are disclosed as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
<i>Construction contracts:</i>		
Contract assets	32,537	31,480
Contract liabilities	10,675	19,791

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date arising from construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Included within contract assets and contract liabilities is an amount of \$26,575,000 (31 October 2020: \$24,243,000) which relate to amounts withheld (up to 5% of the contract sum) under contractual terms from amount receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 to 18 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current asset.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers from construction contracts. Contract liabilities are recognised as revenue as the Group performs under the contract.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

13. Contract assets/liabilities (continued)

- (i) Significant changes in contract assets are explained as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Contract asset reclassified to receivables	(8,922)	(19,138)
Right to consideration for work completed but not yet billed	9,979	5,201

- (ii) Significant changes in contract liabilities are explained as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period/year	9,662	4,691
Advance received from customers	(546)	(16,684)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

13. Contract assets/liabilities (continued)

(iii) Unsatisfied performance obligations

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
<hr/>		
<i>Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 April 2021/31 October 2020</i>		
Construction contracts		
Within one year	138,610	80,873
More than one year	149,340	275,291
	<hr/>	<hr/>
	287,950	356,164
	<hr/>	

The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

14. Cash and cash equivalents

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Cash at banks	21,370	46,962
Short-term bank deposits	26,100	16,040
Cash and cash equivalents in the consolidated statement of cash flows	47,470	63,002

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to \$697,000 (31 October 2020: \$726,000) and \$267,000 (31 October 2020: \$397,000), respectively. The remaining balances are denominated in Singapore Dollars.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of not more than three months depending on the immediate cash requirement of the Group and earn interests at respective short-term deposit rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

15. Trade and other payables

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Current		
Trade payables	14,125	12,669
Retention payables	11,774	12,429
Accrued construction costs	8,876	8,726
	34,775	33,824
Deposits	183	196
Accrued expenses	1,413	2,094
Goods and services tax payables	143	198
Other payables	3,256	3,447
Deferred grant income	640	640
	5,635	6,575
Non-current		
Retention payables	2,268	1,035
Amount due to non-controlling shareholders	2,058	2,058
	4,326	3,093

The carrying amounts of current trade, retention and other payables approximate their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

15. Trade and other payables (continued)

Deferred grant income relates mainly to government assistance under the Job Support Scheme program funded by the Singapore Government.

Amount due to non-controlling shareholders

The non-current portion pertains to loans from the non-controlling shareholders for the acquisition of the leasehold land and building under construction incurred by Regal Haus. This loan is interest-free and are expected to be repaid in 2022.

The fair values of non-current retention payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values of non-current retention payables and the market borrowing rates used are as follows:

	30 April 2021	31 October 2020
Borrowing rates	1.75%	2.25%
Retention payables (\$'000)	2,221	1,004
Borrowing rates	1.75%	2.39%
Amount due to non-controlling shareholders (\$'000)	2,005	1,982

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

15. Trade and other payables (continued)

Amount due to non-controlling shareholders (continued)

The ageing analysis of the trade payables, based on invoice date, is as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
– Less than 3 months	12,429	11,929
– 3 to 6 months	361	15
– Over 6 months to 1 year	69	84
– More than 1 year	1,266	641
	14,125	12,669

The average credit period granted by the contractors and suppliers approximate 35 days.

Retention payables were not yet past due as at 30 April 2021 and 31 October 2020 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

16. Leases

The Group has lease contracts relating to land and motor vehicles. The Group also has certain leases of office premise with lease term of 12 months or less. The Group applies the “short-term lease” recognition exemptions for these leases.

Carrying amount of right-of-use assets classified within property, plant and equipment

	Motor vehicles \$'000	Leasehold land \$'000	Total \$'000
(Unaudited)			
As at 1 November 2020	999	768	1,767
Depreciation	(60)	(33)	(93)
Reclassified to held for sale	–	(735)	(735)
As at 30 April 2021	939	–	939
(Audited)			
As at 1 November 2019	1,073	–	1,073
Additions	566	785	1,351
Disposals	(520)	–	(520)
Depreciation	(120)	(17)	(137)
As at 31 October 2020	999	768	1,767

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

16. Leases (continued)

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 18.

Amounts recognised in statement of comprehensive income

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Depreciation of right-of-use assets	93	137
Interest expense on lease liabilities	17	17
Expenses relating to short term leases (included in other expenses)	79	235

Total cash outflow

The Group had total cash outflows for leases of \$182,000 (31 October 2020: \$642,000) and had no non-cash additions to right-of-use assets and lease liabilities (31 October 2020: \$785,000) in 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

17. Provision

Provision for onerous contracts

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Balance for the period/year	2,112	39
Arose during the period/year	–	2,112
Utilised	(1,776)	(39)
	336	2,112

The Group provided for the unavoidable costs of fulfilling certain fixed price construction contracts with customers that were in excess of the economic benefits expected to be received under the contracts. The provision for the onerous contracts is expected to be utilised by the end of the contract terms.

The above provision has not been discounted as the effect of discounting is not significant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

18. Borrowings

		30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Current			
SGD bank loan	2035	720	720
SGD bridging loan	2025	956	956
		1,676	1,676
Non-current			
SGD bank loan	2035	8,700	9,060
SGD bridging loan	2025	3,569	4,044
		12,269	13,104

SGD bank loan

The loan which matures on 2035 is repayable over 180 monthly instalments commencing on 10 June 2019 and is interest bearing at 1% per annum above the bank's cost of funds in the first year and interest bearing at 1.2% per annum above the bank's cost of funds in the second year onwards.

The loan is secured by first mortgage over certain property (Note 9) of the Group, corporate guarantee provided by a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd. and personal guarantees provided by the executive directors of the Group.

The loan includes a financial covenant which requires the Group to maintain a security margin, defined as a percentage of outstanding borrowings over gross development value of the secured property, of less than 80% upon the Group obtaining Temporary Occupation Permit on the secured property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

18. Borrowings (continued)

SGD bridging loan

The loan which matures on 2025 is repayable over 60 monthly instalments commencing on 23 November 2020 and is interest bearing at 2.25% per annum. The loan is secured by a corporate guarantee provided by the Company.

Changes in liabilities arising from financing activities

	1 November 2020 \$'000	Cash inflows \$'000	Cash outflows \$'000	New leases \$'000	Others*	30 April 2021 \$'000
(Unaudited)						
Borrowings						
- Current	1,676	-	(835)	-	835	1,676
- Non-current	13,104	-	-	-	(835)	12,269
Lease liabilities						
- Current	175	-	(103)	-	104	176
- Non-current	1,161	-	-	-	(104)	1,057
Amount owing to non-controlling shareholders (non-current)	2,058	-	-	-	-	2,058
	18,174	-	(938)	-	-	17,236

	1 November 2019 \$'000	Cash inflows \$'000	Cash outflows \$'000	New leases \$'000	Others*	31 October 2020 \$'000
(Audited)						
Borrowings						
- Current	720	956	(720)	-	720	1,676
- Non-current	9,780	4,044	-	-	(720)	13,104
Lease liabilities						
- Current	100	-	(101)	75	101	175
- Non-current	516	-	(306)	1,052	(101)	1,161
Amount owing to non-controlling shareholders (non-current)	2,058	-	-	-	-	2,058
	13,174	5,000	(1,127)	1,127	-	18,174

* Pertains to reclassification between current and non-current

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

19. Share capital and share premium

Authorised ordinary shares

	Number of shares '000	Share capital HK\$'000
As at 31 October 2020 and 30 April 2021	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid '000	Share capital \$'000	Share premium \$'000
As at 31 October 2020 and 30 April 2021	1,600,000	2,725	69,777

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

20. Capital reserves

Capital reserve of the Group includes:

- Capital contribution by a shareholder arising from the acquisition of a subsidiary, DHC Construction Pte. Ltd. during the financial year ended 31 October 2017; and
- The difference between the consideration paid for the acquisition of HPC Builders Pte. Ltd. ("**HPCB**") and the share capital of HPCB arising from the reorganisation exercise undertaken by the Group during the financial year ended 31 October 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

21. Commitments

Lease commitments – where the Group is a lessor

The investment property is leased to a non-related party under non-cancellable operating lease.

The future minimum lease receivables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Within one year	137	188
Two to five years	14	58
	151	246

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

22. Related party disclosures

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

23. Fair value of assets and liabilities

Trade receivables (Note 11), other receivables and deposits (Note 12), cash and cash equivalents (Note 14), trade and retentions payable (current) (Note 15), and other payables and accruals (current) (Note 15)

The carrying amounts of the above financial assets and liabilities are reasonable approximation of their fair values due to their short maturities.

Borrowings (Note 18)

The carrying amounts of the above financial assets and liabilities are reasonable approximation of their fair values as the interest rate approximates the market interest rate prevailing at the financial year end.

Trade payables (non-current) (Note 15), and other payables (non-current) (Note 15)

The carrying amounts of these financial liabilities are reasonable approximations of their fair values as the present value differential is not significant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

23. Fair value of assets and liabilities (continued)

Financial instruments by category

The aggregate carrying amounts of financial assets and financial liabilities at amortised cost are as follows:

	30 April 2021 \$'000 (Unaudited)	31 October 2020 \$'000 (Audited)
Financial assets at amortised cost	102,735	111,426
Financial liabilities at amortised cost	60,250	61,720

The Group did not have any financial assets and liabilities measured at fair value as at 31 October 2020 and 30 April 2021. During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2021

24. Subsequent event

On 4 May 2021, a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd., disposed its 100% equity interest in Aasperon Venture Pte. Ltd. for a cash consideration of \$4,200,000.

25. Authorisation of interim condensed consolidated financial statements for issue

The financial statements for the six-months ended 30 April 2021 were authorised for issue in accordance with a directors' resolution dated 29 June 2021.